



Business
LINK

Develop new products and services

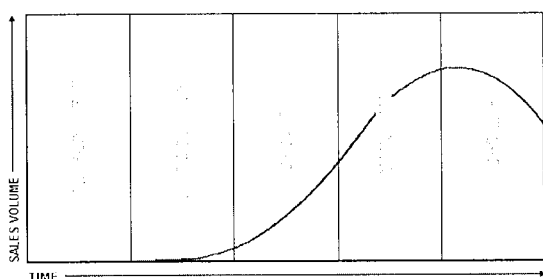
New products and services are the lifeblood of all businesses. Investing in their development is crucial to business growth and profitability.

But embarking on the development process is risky. It needs considerable planning and organisation.

This guide will outline the key stages in the lifecycle of products and services so you know when the time is right for your business to start the development process. It will explain how a planned and phased development process will help you make the wisest investment and budgeting decisions. It will also advise you on how best to create a product development team and manage a project.

The lifecycle of products and services

There are five key stages in the lifecycle of any product or service.



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Development - at this point your product or service is only an idea. You're investing heavily in market research and development.

Introduction - having developed your product or service, you launch it. You're spending heavily on marketing to promote your Unique Selling Proposition.

Growth - your product or service is establishing itself. You have few competitors, sales are growing and profit margins are good. At this point you should examine how you can reduce delivery costs.

Maturity - sales growth is slowing or has even stopped. You have been able to reduce production and marketing costs, but increased competition has driven down prices. Now is likely to be the best time to invest in a new product.

Decline - new and improved products or services are on the market and competition is high. Sales fall and profit margins decline. Increased marketing will have little impact on sales and won't be cost-effective unless new markets are identified.

Find out more in our guide on product life cycle.

Manage the lifecycle

Identifying where products or services are in their lifecycle is central to your profitability. Effective research into your markets and competitors will help you do this. See our guides on market research and market reports and how to understand your competitors.

You can extend the lifecycle of a product or service by investing in an 'extension strategy'. You could:

- increase your promotional spend
- introduce minor innovations - perhaps by adding extra features or updating the design
- seek new markets

But ultimately this only delays a product or service's decline.

Ideally, you should always have new products or services in development as others decline so that at least one part of your range is showing a sales peak.

Developing your ideas

There's a lot at stake when developing a new product or service. To minimise risks and allocate investment and resources wisely, you should consider a number of factors during product development:

- Will your new product or service meet customer needs or specifications? For example, you should consider its design, ease of use and how well it performs. Find out more in our guide on user-centred design.
- How technologically feasible is the product or service? Can you meet the design, resource and manufacturing requirements? You can find out about product design on the Design Council website - [Opens in a new window](#).
- Are you clear about what you hope to achieve with the new product or service? Does it meet the strategy outlined in your business plan and play to your business' strengths?

The clearer you are about your plans, the better you can analyse the risks involved.

Support for businesses developing new ideas

Designing Demand is a practical mentoring programme developed to help small to medium-sized businesses and technology start-ups use design to improve performance.

It helps businesses embed effective processes for the management of design and innovation and gives managers the skills to exploit design by spotting opportunities, briefing designers and running projects that deliver.

Designing Demand is part of a range of support offered to businesses in England through the government's Solutions for Business portfolio. Find out more about Designing Demand on the Designing Demand website - [Opens in a new window](#).

Find out about the range of support for business included in the government's Solutions for Business portfolio. This portfolio is still being developed.

Knowledge Transfer Networks, science parks and virtual support networks that are hubs of research and innovation and can help you connect with people who could help you develop new product ideas. See our guide on support networks

and facilities for innovation and R&D.

Also, see the page on Knowledge Transfer Networks in our guide on how to work with UK universities and colleges.

Or contact the Business Link Helpline on Tel 0845 600 9 006.

Match products and services to market needs

New products and services have to offer benefits that meet your customers' needs. You need to discover what these are.

Market research, using techniques such as surveys and focus groups, will help you do this. See our guide on market research and market reports.

Remember that although the end user of your new product or service might be your most important customer, you may have to take the needs of other parties into account.

For example, if you were planning a new DIY product, you would need to consider how retailers would stock it as well as how it would appeal to your target market. If you're creating a toy, you should consider what parents as well as children will think of it.

You can get useful information on market research techniques on the Market Research Society (MRS) website - [Opens in a new window](#).

Your competition

Not only must you meet your customers' needs, you have to do so in a way that is better than the alternatives offered by your competitors.

Your new product or service needs a unique selling proposition - a feature or property that makes it stand out in the marketplace. Before entering the market you need to gather 'competitive intelligence' by determining:

- how customer needs are currently met
- why customers would choose your product or service rather than your competitors', both now and in the future
- what risks you are prepared to take to launch your product or service into this market

To find out more, see our guides on how to know your customers' needs and understand your competitors.

Pricing your proposed service or product

Establishing a pricing strategy for a new product or service is an important part of the development process. You should consider pricing the moment you decide to take an idea forward as it will determine how much you can afford to **invest** in the project.

You will need to take the following factors into account:

- The benefits - or **value** - to the customer of your product or service compared with what the competition has to offer. Will customers be prepared to pay the

price you want to charge?

- Whether or not you're first to market. Is your product or service innovative or are you following a market trend?
- The selling channels you want to use, which will affect your promotional spend and distribution costs.
- How quickly you want to establish your product or service.
- The expected lifecycle of your product or service.
- How much you will need to charge to cover your costs.

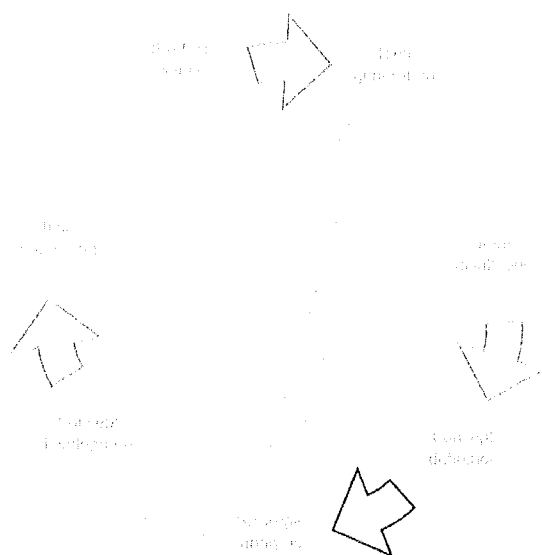
Strategic pricing can be used to drive sales and regulate demand. See our guide on how to price your product or service.

The product development process

The process of developing new products or services can be divided into a number of key stages:

- **Idea generation** - to come up with innovative new ideas.
- **Idea distillation** - to screen out any ideas not worth taking forward.
- **Concept definition** - to consider specifications such as technical feasibility and market potential. If you're planning a new product, you should consider the design process now. See our guide on how can I use design in my business? You can also get information on the design process from the Design Council website - [Opens in a new window.](#)
- **Strategic analysis** - to ensure your ideas fit into your business' strategic plans.
- **Concept development** - to create a prototype product or pilot service.
- **Test marketing and finalising the concept** - to modify the product or service according to customer, manufacturer and support organisations' feedback. This means deciding the best timing and process for piloting your new product or service.
- **Product launch** - the trickiest stage. Before setting a date you must determine how to sell, promote and support your product or service. Getting it right first time is essential. But any decisions to delay your launch should be balanced against the danger that your competitors will beat you to market.

See our diagram of the product development process



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In practice some of these stages may overlap, but the presence of a staged product development process will help keep timing and costs under control. For further information on managing projects see our guide on how to manage your research, design and development.

Creating a project development team

Every potential new product or service needs a dedicated development team.

In creating your team you need to include people with a variety of **skills**. For example, as well as a creative ideas person you may also need a technical expert, a marketing specialist, someone in charge of market research who understands customer needs, someone who can source components and someone who understands the supply-chain difficulties you could encounter.

All team members should understand your business' **objectives** and be committed to them.

There are many forms of **effective teamworking** and the right one for you will depend on your business' needs. For example, team members might:

- work exclusively on one project in a single department, reporting to a project manager
- work exclusively on one project but remain in separate departments reporting to department heads who are under the project manager
- work on several projects at once with both a department head and project manager to monitor progress

Teams need someone in a **project management** role to lead, co-ordinate and motivate the team. See the page in this guide on how to manage a development project.

If you haven't worked with formal project management systems before, first read our guide on project management - the basics.

Investment and cost control

Developing new products and services is an inherently risky process. You must plan any investment carefully and strictly control your costs.

You need to:

- include future investment in products and services into your strategic business plan
- plan exactly where this investment will be directed
- justify the expenditure on every development project
- manage your costs

Before making investment decisions, consider how much your business stands to gain from the new product or service. Weigh this against the risks you face.

Phasing new product development

One way to minimise your risks is to phase investment in projects. By reviewing a project at the end of each stage of development, you can identify products or services that are unlikely to be successful. If the product or service fails to meet established criteria, you should consider ditching the project. If it meets them, you can allocate the resources to allow it to reach the next development stage.

Finding support

A range of government grants and tax relief is available for research and new product development. For further information, see our guides on innovation, research and development grants and Research and Development (R&D) Relief for Corporation Tax.

Cost control

It's essential to keep a close eye on costs when you develop new products and services to avoid them spiralling out of control. You should:

- estimate development costs in advance, as described below
- monitor spending throughout the development process
- introduce phased investment, as described above

There are two main ways to estimate costs:

- a **top-down approach** where you consider previous comparable projects and use them as a benchmark
- a **bottom-up approach** where all team members agree the costs they expect to incur with one project manager, who will then estimate the total cost

Remember that your costs could include staffing, materials, technology, product design, market research, prototyping and overhead costs.

If you haven't worked with formal project management systems before you can read our guide on project management - the basics.

Manage a development project

Project managers are essential to ensure the successful development of new products or services. The project manager is responsible for:

- controlling costs and allocating resources - for further information, see the page in this guide on investment and cost control
- drawing up the product or service's specification
- co-ordinating the product development team - for further information, see the page in this guide on creating a project development team
- timetabling the development process
- troubleshooting

Timetabling the development process

Your project manager should draw up a critical path for the completion of key tasks and stages in the product development process. SMART (specific, measurable, agreed, realistic and time-limited) objectives should be introduced to help measure and monitor progress.

However, you should build **flexibility** into your plans. Any number of unknowns can come into play and lead to, for example, a change in the project's specifications or expected completion date.

For further information on managing your development project, see our guide on how to manage your research, design and development.

If you haven't worked with formal project management systems before you can read our guide on project management - the basics.

Checklist: developing a product or service

The following checklist will help you understand everything you should take into account when developing a new product or service:

- Have you consulted members of your team about your development plans? They may contribute insights and have useful experience.
 - Have you spoken to suppliers, customers and other business associates? Their specialist expertise could be invaluable.
 - Have you thought about your potential market and competition? For more information, see the page in this guide on how to match products and services to market needs.
 - Have you thought about how you're going to price your product or service and how to cover your costs? See the page in this guide on pricing your proposed service or product.
 - Have you considered how to phase in your new product development and control how much you are spending? Make sure you stop work on ideas that don't meet your criteria before committing a lot of time and resources. For further information, see the page in this guide on investment and cost control.
 - Have you considered who needs to be on your product development team and how they will work together? For more information, see the page in this guide on creating a project development team.
 - Have you considered who's going to manage the team? See the page in this guide on how to manage a development project.
 - Have you considered any regulations (including environmental regulations) that will affect your new product or service?
 - Have you looked beyond the new product or service's immediate potential and considered the longer term?
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Here's how I got my great new product in front of customers

Sam Tate

FireAngel Limited - Opens in a new window

Sam's top tips:

- "Remember that getting your first customer will give you a sales record, making it easier for others to follow."
 - "Provide as much hard data as you can about your pricing and the benefits your product will bring to the buyer."
 - "Eliminate all the unknowns: make sure you understand your market, product, customers, users and brand."
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Sam Tate co-founded Sprue Aegis plc in 1998 when he and his business partner came up with an innovative smoke detector. The FireAngel fits between a light fitting and the bulb, taking its energy from the mains. FireAngel charges up its rechargeable battery when the light is on - and runs off the battery when the light is off.

The company hasn't looked back since convincing one high street retailer to sell the detector. It's now stocked in around 6,000 outlets.

What I did

Research the target consumer

"We spent months digging out market research reports, talking to the Fire Brigade and the Office of the Deputy Prime Minister - the government department responsible for fire safety (now the responsibility of Communities and Local Government).

"Once we confirmed the FireAngel was a valuable idea, I went out on to the street to see if there was a market for it. We basically just stopped people, showed them the prototype and asked a set list of questions. We also looked closely at our competitors' products and who their market was.

"We initially worked out a sales strategy involving the Internet, direct marketing and advertising. However, we soon knew on a cost-per-sale basis this wouldn't be feasible - we would have sold less and had to charge twice as much. We then realised an ideal way to reach consumers who wanted a quick solution was through supermarkets."

Get the right price and sales channel

"Most smoke detectors retail at between £5 and £10. We knew we could charge a premium because fitting the alarm is as simple as changing a bulb. It doesn't need a battery and it lasts for up to ten years.

"We set the price at around £20 but the retailer obviously takes a margin. Remember - it's a lot harder to put the price up than drop it down, so don't go in too cheaply."

Nail the sales pitch early

"It's really important to be able to get your message across in 30 seconds flat. If

you get the chance to speak to a buyer, you need to be able to sock it to them - they're extremely busy people. It's definitely down to trial and error so I would recommend rehearsing your sales pitch in front of anyone who will listen, and not delivering it for the first time to the top buyer at a potentially major client.

"It took three years to get our product to market. A lot of this time was spent on design and safety testing, but it took 18 months of talking to one well-known high street retailer before they agreed to stock the alarm. Once you're in there with one retail chain, it gets much easier to approach others. But you definitely have to be persistent to succeed."

What I'd do differently

Don't take 'no' for an answer - right from the start

"It's easy to say, but be prepared for knockbacks. We got them - and would have started to get demoralised by them without a total belief in our product.

"After a short time we realised that persistence was the key to making it all happen. Buyers are busy people and you've got to make yourself stand out from the crowd. For example, we waited in the reception of one high street retailer's head office until the buyer agreed to see us. Sometimes you have to go to that level."

Read more case studies that describe first hand how people tackle real-life challenges and opportunities.

Here's how developing a new product benefited my business (Flash video)

Nadim Ednan-Laperouse

WOW Toys - Opens in a new window

Nadim's top tips:

- "Never be afraid of the seemingly unknown. Dream the future and then reach out to grasp it with both hands!"
- "You must have a plan and a clear timeline of the events/decisions that you need to make from beginning to end."
- "New product development demands financing and not only is it necessary to have the cash, but also to understand the expected return on investment."

WOW Toys was formed in 1997 by toy maker Nadim Ednan-Laperouse and is based in Fulham, London. The company designs and supplies multi functional toys that don't need batteries for children aged 0-5 years. They currently sell to over 400 retail outlets in the UK and export their products to 36 countries around the world.

Here Nadim talks about the value of new product development, and how it has benefited his business.

- [Read transcript](#) - Opens in a new window
 - [Listen to audio only \(mp3, 13MB\)](#)
 - [Help](#)
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Related guides on businesslink.gov.uk

[Manage your research, design and development](#)

[Manage your personal list of starting-up tasks with our Business start-up organiser](#)

[Product life cycle](#)

[Market research and market reports](#)

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Project management - the basics

Innovation, research and development grants

Research and Development (R&D) Relief for Corporation Tax

Managing your patents

Protecting and handling your design

Here's how I used the right technology to make my business more efficient

Related web sites you might find useful

Product design advice on the Design Council website

<http://www.designcouncil.org.uk/productdesign>

Socially responsible innovation information on the 3TU.Centre for Ethics and Technology website

http://www.ethicsandtechnology.eu/research/socially_responsible_innovation/

Innovation management information on the Innovation Process Management website

<http://www.ipm-marketing.co.uk/Innovation%20Management.htm>

Idea generation and creativity advice on the Design Council website

<http://www.designcouncil.org.uk/designmethods>

Marketing e-course on the learndirect business website

http://www1.learndirect-business.com/?target=xpc.asp?course_id=5553%26wbt_type=course

Business support information on the Designing Demand website

<http://www.designingdemand.org.uk>

Innovation assessment tool on the Department for Business, Innovation & Skills website

http://www.innovation.gov.uk/self_assessment/home.asp?p=assessment

Market research techniques explained on the MRS website

<http://www.mrs.org.uk/mrindustry/qttech.htm>

Team building online courses on the learndirect business website

http://www1.learndirect-business.com/?target=xpc.asp?course_id=5556%26wbt_type=course

Time management e-course on the learndirect business website

http://www1.learndirect-business.com/?target=xpc.asp?course_id=5569%26wbt_type=course

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